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CENTRAL INTELLIGENCE AGENCY 25X1 REPORT

# INFORMATION REPORT

CD NO.

DATE DISTR. 1 Dec. 1940

NO. OF PAGES

NO. OF ENCLS.  
(LISTED BELOW)

SUPPLEMENT TO  
REPORT NO.

**SUBJECT** Conditions of the Chinese Communist Government

**PLACE  
ACQUIRED**

DATE OF INFO.

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THIS IS UNEVALUATED INFORMATION

1. CHOU En-lai, completely occupied with other duties as Premier organizing a new government, leaves all foreign affairs to CHIAO Mu, YANG Kang, and WANG Ping-nan. These men, in their turn are also otherwise engaged in attending various party meetings and solving petty administrative problems: YANG, who heads the foreign policy committee has no staff nor reference material except a few old copies of the New York Times, CHIAO depends on the handouts of the Government news agency, the New China News Agency, and WANG is entirely preoccupied with housing problems. The Foreign Office has no office space, working in the hotel rooms occupied by the staff.
2. Officials in charge of foreign affairs have at best only a superficial and incorrect knowledge of the policies, official position, and public opinion of the Western Powers and of the practices of diplomatic intercourse. Like most sections of the Chinese Communist Government the foreign affairs is in complete chaos. The few foreign policy decisions that have been made have been made on an ad hoc basis by MAO Tse-tung and CHOU, without adequate information or consideration.

3. [redacted] the three cardinal principles of Chinese Communist foreign policy are as follows:

- a. "We must have allies. If CHIANG Kai-shek and the other reactionaries are allied with the U.S. we must be allied with the USSR.
- b. "It would be a dream for the Americans to expect us to split with the USSR but the American Government can expect that we will not always be anti-American.
- c. "We cannot have two enemies at one time, but we can always have more than two friends."

This document is hereby regraded to **CONFIDENTIAL** in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

Next Review Date: 2008

25X1 L. CHOU and other Chinese Communist Party (CCP) leaders believe that America

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2005/12/05 : CIA-RDP80-01457R000100010001-9

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is a nation of poverty stricken slave laborers exploited by Wall Street billionaires, who wish to exploit China through CHIANG Kai-shek. They have no access to information to the contrary. CHOU would like friendship with the Americans, however, and probably suspects that America may be better than described to him.

He cannot make overtures to the U.S. at this time, however, for fear of loss of Soviet friendship and because he is restrained by the pro-Soviet faction of the CCP.

5. The attitude of the CCP toward the U.S. is strongly influenced by the belief that there will occur a depression in the American economy in the near future comparable to the social collapse and chaos of China in the past few years. They believe that the U.S. has vast surplusses that must be dumped on China to stave off this depression. A series of lectures made by an American educated speaker invited by CHOU on the subject of world-wide economic conditions were amazing to the audiences of naive Government officials in that it showed most of their beliefs to be quite wrong.

6. American propaganda is making relatively little impression on Communist controlled China. Very few persons, not even the top leaders, listen to the Voice of America broadcasts. Soviet propaganda is given all possible facilities but the response to it is very poor; during the celebrations of the October Revolutions when theaters were required to show Soviet films, theater owners complained of losing money, since business was poor compared to that for American films.

7. In the past three months China has had no news of the U.S. except as interpreted by the Communists. All news is very heavily colored with editorial comment; there is no objective reporting. For the information of the top officials of the Chinese Communist Government a classified newspaper is circulated, which also carries highly colored news.

8. During the Chinese People's Political Consultative Conference (CPPCC) in Peiping in late September 1949 the non-Communist parties gained considerable status in the coalition government. When the basic sixty-point program was drafted, members of non-Communist parties were represented on all drafting committees. Against Communist opposition they effected significant changes in the program. When the coalition government was formed they gained many cabinet posts, also against Communist opposition.

9. The Communists proved vulnerable to the traditional methods of political bargaining: prestige to be accorded to the elder statesman, threats of withdrawal, of suicide, and similar tactics. The non-Communist parties maintained a united front, despite Communist attempts to break it down. These parties feel that they are now in a position to influence policy and to increase their strength.

10. The National Democratic Reconstruction Association (NDRA 民主建國會) is made up of the National Salvation Association, Vocational Education Party, and individual non-Communist industrialists and bankers. HUANG Yen-p'ei (黃炎培), a member of Central People's Government Council, Deputy Premier of the State Administrative Council and Minister of Light Industry of the Chinese Communist Government is head of the NDRA, which party also includes a Vice Minister of Labor, the rest of the Ministry of Light Industry, and a deputy chairman and members of the economic and finance committees of the State Administrative Council. Through its influence in the financial and light industry divisions of the Government, in which the Chinese Communist Party is completely lacking in competent personnel, the NDRA hopes to control the national economy. The NDRA hopes to cooperate with other non-Communist groups, and build up a pro-Western orientation in the Chinese Communist Party.

11. Members of other non-Communist parties, such as the Kuomintang Revolutionary

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Committee Government, are usually figureheads, with no sources of power except their personal prestige. The NDRA, however, is cultivating some of these people, as the Communists seek their advice and defer to their opinion.

12. Non-Communist leaders have found it necessary to make public disavowals of friendship with America in order to preserve the political gains they have made, as any friendly gesture by foreign countries other than the USSR made toward them results in an immediate change in attitude on the part of their Communist colleagues. Since the non-Communists are operating by very subtle means they are fearful of having their names or those of their parties linked with countries labeled by Communist propaganda as reactionary or imperialistic.

13. Salaries of Chinese Communist Government officials are generally below the minimum to provide adequate nourishment. Certain non-Communist officials are receiving favorable treatment, but this is referred to in a derogatory manner in Communist propaganda. Low pay scales are found in Government controlled industry, where pay is lower than in private industry.

14. There is a high incidence of illness among officials, some of it through malnutrition. [redacted]

25X1 [redacted] many prominent Communist officials are asking for  
25X1 gifts of books and medicines which can be purchased only with foreign  
exchange.

15. The Government is basing its policy planning on the supposition that all China, including Taiwan, will have been taken over by early summer of 1950, the mainland by January 1950. [redacted] the Communist military planners have consistently overrated the Nationalists and the Government is unprepared in terms of policy and personnel to take over the entire country. [redacted] however, [redacted] the Government must take advantage of this situation and study and learn how to run the country, seeking help from sympathetic non-Communist groups.

16. The sixty-point basic program adopted by the CPPCC states the minimum aims of the Government for China. CCP leaders have set the target date as 1970 to complete the program. Government agencies are now developing concrete plans after the pattern of the Soviet "Five Year Plans", to implement the program. The planners are consulting fully with and accepting the advice of non-Communist members of the Government, particularly in economic matters.

17. Very few plans are firmly fixed yet; immediate pressing problems are settled by high-ranking Communist leaders on a purely ad hoc basis. These leaders find they are much occupied with petty administrative matters and openly complain that their subordinates are not competent. They are relying increasingly on experts who are not Communists.

- 25X18. [redacted] the Ministries of Trade and Heavy Industry [redacted]  
25X1 [redacted] admit the fallacy in the party line that the USSR can  
25X1 supply China's import requirements. Although requirements have not been calculated in detail it is already obvious that economic reconstruction will demand materials only Western countries can provide. The same situation holds true with regard to technical advice.

19. Meanwhile the Government plans to fill their immediate requirements by barter with the USSR and by purchase through Hong Kong. Barter agreements similar to the one completed between the USSR and the Northeast Government are expected to be made between the USSR and North China. These agreements are to supply the immediate need for petroleum products.

20. The Government will allow no further imports of foodstuffs, especially rice. Since the present deficiencies are the result of raising food with

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a low calorie content, farmers are to be ordered to grow such things as sweet potatoes. China will grow her own cotton also.

21. Because the USSR is the only available source of rolling stock and equipment, the Government is now planning to convert China's railroads to the wider gauge of the Russian railroads.

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